



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
CRITTENDEN COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 2000

**EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CRITTENDEN COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

The Auditor of Public Accounts has completed the Crittenden County Fiscal Court audit for fiscal year ended June 30, 2000. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Cash balances increased by \$433,473 from the prior fiscal year, resulting in a cash surplus of \$1,075,530 as of June 30, 2000. Cash receipts increased by \$366,160 from the prior year and disbursements increased by \$138,768.

Debt Obligations:

Capital lease principal agreements totaled \$70,800 as of June 30, 2000. Future principal and interest payments of \$89,732 are needed to meet these obligations.

Report Comment:

- The County Should Have Required The Depository Institution To Pledge Additional Securities Of \$27,848 As Collateral And Entered Into A Written Agreement To Protect Deposits.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Victor P. Hardin, Crittenden County Judge/Executive

Members of the Crittenden County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Crittenden County, Kentucky, as of June 30, 2000, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Crittenden County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Crittenden County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions as of June 30, 2000 of Crittenden County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Victor P. Hardin, Crittenden County Judge/Executive
Members of the Crittenden County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated November 1, 2001 on our consideration of Crittenden County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following area of noncompliance:

- The County Should Have Required The Depository Institution To Pledge Additional Securities Of \$27,848 As Collateral And Entered Into A Written Agreement To Protect Deposits

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Crittenden County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
November 1, 2001

CRITTENDEN COUNTY OFFICIALS

Fiscal Year Ended June 30, 2000

Fiscal Court Members:

Victor P. Hardin	County Judge/Executive
Roger Simpson	Magistrate
Curt Buntin	Magistrate
William E. Martin, Jr.	Magistrate
Percy Cook	Magistrate
Athena Tabor	Magistrate
Bobbie Don Crowell	Magistrate

Other Elected Officials:

Alan C. Stout	County Attorney
Jerry Gilland	Jailer
Carolyn Byford	County Clerk
Madeline Henderson	Circuit Court Clerk
Wayne Agent	Sheriff
Ronnie Hedy	Property Valuation Administrator
Terry Gilbert	Coroner

Appointed Personnel:

Roberta Shewmaker	County Treasurer
Jennifer Moore	Finance Officer

STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

CRITTENDEN COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2000

Assets and Other Resources

Assets

General Fund Type

General Fund:			
Cash	\$	103,004	
Road and Bridge Fund:			
Cash		280,617	
Jail Fund:			
Cash		13,686	
Local Government Economic Assistance Fund:			
Cash		111,610	
North Pennyrile E-911 Board Fund:			
Cash		76,670	
Anonymous Gift Fund:			
Cash		127,848	
Payroll Revolving Account - Cash		<u>1,182</u>	\$ 714,617

Special Revenue Fund Type

Federal Emergency Management Agency Grant Fund:			
Cash			487,095

Other Resources

General Fund Type

Jail Fund:			
Amounts to be Provided in Future Years for Jail Capital			
Lease Obligations - Detention Facility Principal Payments (Note 4)		<u>70,800</u>	
Total Assets and Other Resources			<u>\$ 1,272,512</u>

The accompanying notes are an integral part of the financial statements.

CRITTENDEN COUNTY
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS

June 30, 2000

(Continued)

Liabilities and Fund Balances

Liabilities

General Fund Type

Jail Fund:

Capital Lease Obligation - Principal Payments For Detention Facility (Note 4)	\$	70,800
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Payroll Revolving Account		1,182
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Fund Balances

Unreserved:

General Fund Type

General Fund	\$	103,004	
Road and Bridge Fund		280,617	
Jail Fund		13,686	
Local Government Economic Assistance Fund		111,610	
North Pennyrite E-911 Board Fund		76,670	
Anonymous Gift Fund		<u>127,848</u>	713,435

Special Revenue Fund Type

Federal Emergency Management Agency Grant Fund		<u>487,095</u>
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Total Liabilities and Fund Balances	\$	<u><u>1,272,512</u></u>
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The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

CRITTENDEN COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2000

	General Fund Type			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 1,901,615	\$ 467,962	\$ 1,334,648	\$ 62,357
Transfers In	282,090	162,090		120,000
Federal Emergency Management				
Agency - Grant Fund				
Grant Receipts	531,454			
Interest	2,641			
North Pennyryle E-911 Board Fund				
Receipts	76,445			
Interest	225			
Anonymous Gift Fund				
Donation	125,000			
Interest	2,848			
Total Cash Receipts	<u>\$ 2,922,318</u>	<u>\$ 630,052</u>	<u>\$ 1,334,648</u>	<u>\$ 182,357</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 2,027,455	\$ 625,397	\$ 1,168,370	\$ 176,938
Federal Emergency Management				
Agency - Tornado Grant				
Debris Removal Expenditures	\$ 47,000			
Transfers Out	282,090	120,000	161,294	
Capital Lease:				
Principal Paid	7,300			7,300
Total Cash Disbursements	<u>\$ 2,363,845</u>	<u>\$ 745,397</u>	<u>\$ 1,329,664</u>	<u>\$ 184,238</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 558,473	\$ (115,345)	\$ 4,984	\$ (1,881)
Cash Balance - July 1, 1999	<u>\$ 642,057</u>	<u>\$ 218,349</u>	<u>\$ 275,633</u>	<u>\$ 15,567</u>
Cash Balance - June 30, 2000	<u>\$ 1,200,530</u>	<u>\$ 103,004</u>	<u>\$ 280,617</u>	<u>\$ 13,686</u>

The accompanying notes are an integral part of the financial statements.

CRITTENDEN COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 2000
 (Continued)

General Fund Type			Special Revenue Fund Type	Debt Service Fund Type
Local Government Economic Assistance Fund	North Pennyrile E-911 Board Fund	Anonymous Gift Fund	Federal Emergency Management Agency Grant Fund	Nonvoted Hospital Bond Fund
\$ 36,648	\$	\$	\$	\$
			531,454 2,641	
	76,445 225			
		125,000 2,848		
<u>\$ 36,648</u>	<u>\$ 76,670</u>	<u>\$ 127,848</u>	<u>\$ 534,095</u>	<u>\$ 0</u>
\$ 56,750	\$	\$	\$	\$
			47,000	
				796
<u>\$ 56,750</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 47,000</u>	<u>\$ 796</u>
\$ (20,102)	\$ 76,670	\$ 127,848	\$ 487,095	\$ (796)
<u>\$ 131,712</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 796</u>
<u>\$ 111,610</u>	<u>\$ 76,670</u>	<u>\$ 127,848</u>	<u>\$ 487,095</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2000

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Crittenden County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, there are no component units which merit consideration as part of the reporting entity

Additional Crittenden County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Crittenden County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Crittenden County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Crittenden County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, North Pennyrite E-911 Board Fund, and the Anonymous Gift Fund.

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Federal Emergency Management Agency Grant Fund of the Fiscal Court is reported as a Special Revenue Fund Type.

3) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and includes funds for the Non-Voted Hospital Bond Fund. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Crittenden County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Cash and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the Crittenden County Industrial Development is considered a related organization of Crittenden County Fiscal Court.

G. Joint Ventures

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture.

The Crittenden County Fiscal Court has entered into an agreement with the City of Marion to create the Marion - Crittenden Industrial Development Authority. The agreement was created for the purpose of serving as an agency to aid in the acquisition, development, and retention of industrial opportunities in Crittenden County.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system, which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

CRITTENDEN COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2000
 (Continued)

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. As of June 30, 2000, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$27,848 of public funds uninsured and unsecured. In addition, the county did not have a written agreement with the depository institution securing the county's interest in the collateral.

The county's deposits are categorized below to give an indication of the level of risk assumed by the county official at year-end or as of June 30, 2000.

	<u>Bank Balance</u>
Insured or collateralized with securities held by pledging depository institution in the county's name	\$ 1,239,426
Uncollateralized and uninsured	<u>27,848</u>
Total	<u><u>\$ 1,267,274</u></u>

Note 4. Detention Facility Capital Lease

The Crittenden County Fiscal Court entered into a lease purchase agreement with the Kentucky Association of Counties Leasing Trust, on October 14, 1993 for the purpose of financing renovations to the Crittenden County Detention Facility. The issue amount of the lease was \$88,000 and the interest rate was 6.24%. Interest and Principal payments are made twice each year during November and May. The balance of the lease as of June 30, 2000 was \$70,800.

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 4. Detention Facility Capital Lease (Continued)

<u>Due Date</u>	<u>Interest</u>	<u>Principal</u>
2000-2001	\$ 4,299	\$ 7,700
2001-2002	3,813	8,100
2002-2003	3,298	8,700
2003-2004	2,749	9,200
2004-2005	2,165	9,800
Thereafter	2,608	27,300
Totals	<u>\$ 18,932</u>	<u>\$ 70,800</u>

Note 5. Lease-Purchase Agreement

The county has entered into the following lease-purchase agreement:

<u>Description</u>	<u>Purchase Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
Voting Machines	10/14/1993	10/14/2003	5.04%	\$ 20,000

Note 6. Commitments and Contingencies

KADD Lease/Hospital Sublease

The Crittenden County Fiscal Court entered into a lease with the Kentucky Area Development Districts Financing Trust on January 2, 1997 for the purpose of financing the acquisition of a nursing home for the benefit of the Crittenden County Hospital, Inc., in the amount of \$3,100,000. The County then entered a sublease agreement with the Crittenden County Hospital, Inc. to rent the project for a period of ten years, with an option to renew the sublease. The Crittenden County Hospital, Inc. is responsible for the rental payments and began making payments May 20, 1998. The Crittenden County Hospital, Inc. is in substantial compliance with the sublease agreement. The balance as of June 30, 2000 was \$2,764,000.

Note 7. Transportation Grant

The Ohio River Ferry Authority, Inc. through the Crittenden County Fiscal Court obtained a grant from the Kentucky Transportation Cabinet to provide for the operation of a ferry service across the Ohio River between Crittenden County, Kentucky and Hardin County, Illinois. On November 8, 1994, the Ohio River Ferry Authority, Inc. entered into an agreement with the Cave-In-Rock-Ferry Company, Inc. to operate the ferry service. Grant Receipts for fiscal year 2000 were \$544,273 and expenditures for fiscal year 2000 were \$544,273.

Note 8. Industrial Revenue Bonds

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

On June 16, 1998, the Marion-Crittenden County Industrial Development Authority, a joint venture of the Crittenden County Fiscal Court, entered into a new bond issue for the purpose of constructing an addition to the existing facility owned by Par-4 Plastics, Inc. located in Marion, Kentucky. These bonds will have a 20-year life, with an approximate interest rate of 6.5%. The original agreement required Ross, Sinclair and Associates, the underwriter, to appropriate \$2,400,000 for the purpose of purchasing from the Marion-Crittenden County Industrial Authority, the Industrial Revenue Bonds, Series 1998 for the total purchase price of \$2,352,000 on or before July 1, 2008. The semi annual payments are to be made on the 1st of July and January.

Note 9. Insurance

For the fiscal year ended June 30, 2000, Crittenden County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

CRITTENDEN COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2000

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 459,627	\$ 467,962	\$ 8,335
Road and Bridge Fund	1,296,473	1,334,648	38,175
Jail Fund	53,655	62,357	8,702
Local Government Economic Assistance Fund	<u>56,400</u>	<u>36,648</u>	<u>(19,752)</u>
Totals	<u>\$ 1,866,155</u>	<u>\$ 1,901,615</u>	<u>\$ 35,460</u>

Reconciliation

Total Budgeted Operating Revenue Above	\$ 1,866,155
Add: Budgeted Prior Year Surplus	446,416
Less: Other Financing Uses	<u>(7,300)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures	<u>\$ 2,305,271</u>

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SCHEDULE OF OPERATING REVENUE

CRITTENDEN COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2000

	<u>GOVERNMENTAL FUND TYPE</u>
<u>Revenue Categories</u>	<u>General Fund Type</u>
Taxes	\$ 345,056
Excess Fees	43,282
License and Permits	58
Intergovernmental Revenues	909,729
Charges for Services	21,341
Miscellaneous Revenues	561,516
Interest Earned	<u>20,633</u>
Total Operating Revenue	<u><u>\$ 1,901,615</u></u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

CRITTENDEN COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2000

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 310,554	\$ 303,997	\$ 6,557
Protection to Persons and Property	244,144	210,765	33,379
General Health and Sanitation	51,917	51,879	38
Social Services	1,050	1,000	50
Recreation and Culture	266,607	104,315	162,292
Roads	617,097	597,767	19,330
Airports	1,000	1,000	
Other Transportation Facilities and Services	551,273	546,553	4,720
Capital Projects	11,858	9,366	2,492
Administration	249,771	200,813	48,958
Total Operating Budget - All General Fund Types	\$ 2,305,271	\$ 2,027,455	\$ 277,816
Other Financing Uses:			
Kentucky Area Development			
Districts - Jail Improvements			
Principal on Lease	7,300	7,300	
TOTAL BUDGET - ALL GENERAL FUND TYPES	<u>\$ 2,312,571</u>	<u>\$ 2,034,755</u>	<u>\$ 277,816</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Victor P. Hardin, Crittenden County Judge/Executive

Members of the Crittenden County Fiscal Court

**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of Crittenden County, Kentucky, as of and for the year ended June 30, 2000, and have issued our report thereon dated November 1, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Crittenden County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards which is described in the accompanying comment and recommendation.

- The County Should Have Required The Depository Institution To Pledge Additional Securities Of \$27,848 As Collateral And Entered Into A Written Agreement To Protect Deposits

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Crittenden County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end of the signature.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
November 1, 2001

COMMENT AND RECOMMENDATION

CRITTENDEN COUNTY
COMMENT AND RECOMMENDATION

Fiscal Year Ended June 30, 2000

NONCOMPLIANCE

The County Should Have Required The Depository Institution To Pledge Additional Securities Of \$27,848 As Collateral And Entered Into A Written Agreement To Protect Deposits

The county's deposits were not adequately secured by \$27,848 as of June 30, 2000. Under provisions of KRS 66.480(1)(d) and KRS 41.240(4), banks are required to provide pledges of securities for interest-bearing and noninterest-bearing deposits if either exceeds the \$100,000 amount of insurance coverage provided by the Federal Deposit Insurance Corporation. The county should require the depository institution to pledge sufficient securities as collateral to insure deposits at all times. We also recommend the county enter into a written collateral security agreement with the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. According to federal law, 12 U.S.C.A. § 1823(e) and 12 U.S.C.A. § 4701 et seq., this security agreement should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

County Judge/Executive Victor P. Hardin's Response:

This is being taken care of at this time. In the future we will make sure that all monies are secure by the correct amount of pledge. Also we will have a written agreement to protect deposits.

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CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

CRITTENDEN COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

